

TOWNSHIP OF JEFFERSON  
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* JEFFERSON TOWNSHIP	County* HILLSDALE	Type* TOWNSHIP	MuniCode* 30-1-080
Opinion Date-Use Calendar* 10/27/2008	Audit Submitted-Use Calendar* 11/12/2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 361,847.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 310,609.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 358,461.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* KELLY	Last Name* HODSHIRE	Ten Digit License Number* 1101020992		
CPA Street Address* 479 E CHICAGO ST	City* JONESVILLE	State* MI	Zip Code* 49250	Telephone* +1 (517) 849-2410
CPA Firm Name* BAILEY, HODSHIRE & CO. P.C.	Unit's Street Address* 2837 S BIRD LAKE RD	Unit's City* OSSEO	Unit's Zip* 49266	

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Bailey, Hodshire  
& Company, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and  
Members of the Township Board  
Township of Jefferson  
Osseo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Jefferson as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Township of Jefferson as of March 31, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 23 through 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Jefferson's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the

Township of Jefferson

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basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic purpose financial statements taken as a whole.

*Bailey, Hodshire + Company PC*

October 27, 2008

Jonesville, Michigan

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF JEFFERSON

The following discussion and analysis of the financial performance for the Township of Jefferson (the "Township") provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements which follow this section.

### **Financial Highlights**

The following represents the most significant financial highlights for the year ended March 31, 2008:

- The assets of the Township exceeded its liabilities at March 31, 2008 by \$2,718,774 (net assets). Of this amount, \$787,864 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$73,674.
- As of March 31, 2008, the Township's governmental funds reported combined ending fund balances of \$479,363, an increase of \$59,390. The amount available for spending at the government's discretion (unreserved fund balance) is \$358,461.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township of Jefferson's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Township's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.
- The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and state shared revenues).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, highways and roads, capital improvements, solid waste and cemetery management. The business-type activities of the Township include sanitary sewer operations. The government-wide financial statements can be found on pages 7 - 8 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### TOWNSHIP OF JEFFERSON

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Jefferson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Township's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township of Jefferson maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Cemetery Perpetual Care Permanent Fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

**Proprietary Funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its sanitary sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. The Township does not use an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 11 - 13 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as the Tax Fund where property taxes are collected and disbursed on behalf of and to other local units of government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township of Jefferson's own programs. The basis of accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 14 of this report.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## TOWNSHIP OF JEFFERSON

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 22 of this report.

### **The Township as a Whole**

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the tables below show the Township's net assets and changes in net assets for the year.

	Governmental Activities		Business-type Activities		Total	
<b>TABLE 1 - NET ASSETS</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>
<b>Assets</b>						
Current Assets	\$ 425,674	\$ 485,600	\$ 350,511	\$ 435,011	\$ 776,185	\$ 920,611
Capital Assets	215,557	212,662	1,465,944	1,410,022	1,681,501	1,622,684
Investment in joint venture	194,866	187,324	0	0	194,866	187,324
Total Assets	<u>\$ 836,097</u>	<u>\$ 885,586</u>	<u>\$ 1,816,455</u>	<u>\$ 1,845,033</u>	<u>\$ 2,652,552</u>	<u>\$ 2,730,619</u>
<b>Liabilities</b>						
Current Liabilities	\$ 5,701	\$ 6,237	\$ 1,751	\$ 5,608	\$ 7,452	\$ 11,845
Long-term Liabilities	0	0	0	0	0	0
Total Liabilities	<u>\$ 5,701</u>	<u>\$ 6,237</u>	<u>\$ 1,751</u>	<u>\$ 5,608</u>	<u>\$ 7,452</u>	<u>\$ 11,845</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Debt	\$ 215,557	\$ 212,662	\$ 1,465,944	\$ 1,410,022	\$ 1,681,501	\$ 1,622,684
Investment in joint venture	194,866	187,324	0	0	194,866	187,324
Restricted	112,750	120,902	0	0	112,750	120,902
Unrestricted	307,223	358,461	348,760	429,403	655,983	787,864
Total Net Assets	<u>\$ 830,396</u>	<u>\$ 879,349</u>	<u>\$ 1,814,704</u>	<u>\$ 1,839,425</u>	<u>\$ 2,654,100</u>	<u>\$ 2,718,774</u>
Total Liabilities and Net Assets	<u>\$ 836,097</u>	<u>\$ 885,586</u>	<u>\$ 1,816,455</u>	<u>\$ 1,845,033</u>	<u>\$ 2,652,552</u>	<u>\$ 2,730,619</u>

**TABLE 2 - CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>
<b>Program Revenues</b>						
Charges for Services	\$ 107,886	\$ 51,666	\$ 114,109	\$ 112,821	\$ 221,995	\$ 164,487
Operating Grants and Contributions	4,566	4,524	0	0	4,566	4,524
Capital Grants and Contributions	6,467	0	0	0	6,467	0
<b>General Revenues</b>						
Property Taxes	56,837	58,932	0	0	56,837	58,932
Special Assessments	5,512	6,582	14,637	14,115	20,149	20,697
Franchise Fees	7,212	0	0	0	7,212	0
State Shared Revenue	214,314	216,102	0	0	214,314	216,102
Unrestricted Investment Earnings	10,308	20,030	11,138	15,353	21,446	35,383
Miscellaneous	8,749	12,163	7,941	23,143	16,690	35,306
Total Revenue	<u>\$ 421,851</u>	<u>\$ 369,999</u>	<u>\$ 147,825</u>	<u>\$ 165,432</u>	<u>\$ 569,676</u>	<u>\$ 535,431</u>
<b>Program Expenses</b>						
General Government	\$ 148,281	\$ 141,711	\$ 0	\$ 0	\$ 148,281	\$ 141,711
Public Safety	97,436	58,020	0	0	97,436	58,020
Public Works	96,734	86,299	0	0	96,734	86,299
Culture and Recreation	10,274	10,192	0	0	10,274	10,192
Other	15,923	15,370	0	0	15,923	15,370
Depreciation - Unallocated	10,784	9,454	0	0	10,784	9,454
Sewer Operations	0	0	147,025	140,711	147,025	140,711
Total Expenses	<u>\$ 379,432</u>	<u>\$ 321,046</u>	<u>\$ 147,025</u>	<u>\$ 140,711</u>	<u>\$ 526,457</u>	<u>\$ 461,757</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ 42,419</u>	<u>\$ 48,953</u>	<u>\$ 800</u>	<u>\$ 24,721</u>	<u>\$ 43,219</u>	<u>\$ 73,674</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF JEFFERSON

The Township's total governmental revenues decreased by \$51,852 this year. During the year, the Township continued to monitor the revenues and expenditures.

### **The Township's Funds**

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund and the Cemetery Fund.

The General Fund pays for most of the Township's governmental services. The most significant are road work, road stabilization (dust control on all dirt roads), fire protection, and solid waste-transfer station and recycling costs; these areas incurred expenses of approximately \$131,590 for the fiscal year.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget once to account for maintenance work on the town hall, and other minor over-expenditures.

### **Capital Asset and Debt Administration**

At the end of the fiscal year 2008, the Township had approximately \$1,622,684 (net of depreciation) invested in a broad range of capital assets, including land, buildings, equipment, sewer system, vehicles, etc. There is no related infrastructure reported in the year end net capital investment because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 20.

### **Economic Factors and Next Year's Budgets and Rates**

The Township expects similar revenue and expenditures for the 2008-09 fiscal year except that the assessor contract, election expense, cemetery maintenance, road projects costs will increase.

The Township also will pay for its share of a new truck/pumper for the Pittsford-Jefferson Fire Department. Delivery date is estimated to occur between November, 2008 and January, 2009.

In the future, the Township will have to comply with a 2004 septage law which requires domestic septage to be screened before land applied and also prohibits the land application of septage on frozen ground. This may require the construction of a storage facility to hold septage over the winter months.

The transfer station driveway repair/upkeep is planned during the summer of fiscal year ended March 31, 2010.

The Township plans to have a study on sewer rates done. A new furnace is also planned for the sewer building.

The Township is looking into combining the insurance coverage for the sewer fund, general fund, and Pittsford-Jefferson Fire Department into one policy to save the Township money.

### **Contacting the Township's Management**

This Financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

## BASIC FINANCIAL STATEMENTS

TOWNSHIP OF JEFFERSON  
STATEMENT OF NET ASSETS  
MARCH 31, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash & investments	\$ 469,361	\$ 421,172	\$ 890,533
Prepaid expenses	8,019	3,307	11,326
Receivables:			
Taxes	7,610	0	7,610
Customers	0	8,654	8,654
Special assessments - current	0	2,488	2,488
Internal balances	610	(610)	0
Investment in Joint Venture	187,324	0	187,324
Capital assets - net	<u>212,662</u>	<u>1,410,022</u>	<u>1,622,684</u>
Total assets	<u>\$ 885,586</u>	<u>\$ 1,845,033</u>	<u>\$ 2,730,619</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 6,237	\$ 5,608	\$ 11,845
Total liabilities	<u>\$ 6,237</u>	<u>\$ 5,608</u>	<u>\$ 11,845</u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 212,662	\$ 1,410,022	\$ 1,622,684
Investment in Joint Venture	187,324	0	187,324
Restricted:			
Perpetual care	120,902	0	120,902
Unrestricted	<u>358,461</u>	<u>429,403</u>	<u>787,864</u>
Total net assets	<u>\$ 879,349</u>	<u>\$ 1,839,425</u>	<u>\$ 2,718,774</u>
Total liabilities and net assets	<u>\$ 885,586</u>	<u>\$ 1,845,033</u>	<u>\$ 2,730,619</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 141,711	\$ 5,582	\$ 0	\$ 0	\$ (136,129)
Public Safety	58,020	1,276	0	0	(56,744)
Public Works	86,299	44,808	4,524	0	(36,967)
Recreation and Culture	10,192	0	0	0	(10,192)
Other	15,370	0	0	0	(15,370)
Depreciation - Unallocated	<u>9,454</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,454)</u>
Total Governmental Activities	\$ <u>321,046</u>	\$ <u>51,666</u>	\$ <u>4,524</u>	\$ <u>0</u>	\$ <u>(264,856)</u>
Business-type Activities:					
Sewer	\$ <u>140,711</u>	\$ <u>112,821</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(27,890)</u>
Total Primary Government	\$ <u><u>461,757</u></u>	\$ <u><u>164,487</u></u>	\$ <u><u>4,524</u></u>	\$ <u><u>0</u></u>	\$ <u><u>(292,746)</u></u>
		Governmental	Business-type		
		Activities	Activities	Total	
Change in net assets:					
Net (expense) revenue		\$ (264,856)	\$ (27,890)	\$ (292,746)	
General revenue:					
Property taxes levied for general purposes		\$ 58,932	\$ 0	\$ 58,932	
Special assessments		6,582	14,115	20,697	
State shared revenue		216,102	0	216,102	
Unrestricted investment income		20,030	15,353	35,383	
Miscellaneous		<u>12,163</u>	<u>23,143</u>	<u>35,306</u>	
Total general revenue		\$ <u>313,809</u>	\$ <u>52,611</u>	\$ <u>366,420</u>	
Change in net assets		\$ 48,953	\$ 24,721	\$ 73,674	
Net assets - beginning		<u>830,396</u>	<u>1,814,704</u>	<u>2,645,100</u>	
Net assets - ending		\$ <u><u>879,349</u></u>	\$ <u><u>1,839,425</u></u>	\$ <u><u>2,718,774</u></u>	

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2008

	General Fund	Permanent Fund Cemetery	Total Governmental Funds
<b>ASSETS</b>			
Cash & investments	\$ 348,459	\$ 120,902	\$ 469,361
Taxes receivable	7,379	0	7,379
Prepaid expenses	8,019	0	8,019
Due from agency fund	231	0	231
Due from other funds	<u>610</u>	<u>0</u>	<u>610</u>
Total assets	<u>\$ 364,698</u>	<u>\$ 120,902</u>	<u>\$ 485,600</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 5,719	\$ 0	\$ 5,719
Payroll taxes payable	<u>518</u>	<u>0</u>	<u>518</u>
Total liabilities	<u>\$ 6,237</u>	<u>\$ 0</u>	<u>\$ 6,237</u>
<b>Fund Equity:</b>			
Fund Balance			
Reserved	\$ 0	\$ 120,902	\$ 120,902
Unreserved/Undesignated	<u>358,461</u>	<u>0</u>	<u>358,461</u>
Total fund equity	<u>\$ 358,461</u>	<u>\$ 120,902</u>	<u>\$ 479,363</u>
Total liabilities and fund equity	<u>\$ 364,698</u>	<u>\$ 120,902</u>	<u>\$ 485,600</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds \$ 479,363

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital assets 343,800  
Deduct: Accumulated depreciation (131,138)

The investment in the joint venture fire department is reported in the government-wide financial statements 187,324

Net assets of governmental activities \$ 879,349

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
MARCH 31, 2008

	General Fund	Permanent Fund Cemetery	Total Governmental Funds
REVENUE			
Property taxes	\$ 58,932	\$ 0	\$ 58,932
Special assessments	6,582	0	6,582
Administration fees	5,660	0	5,660
State shared revenue	216,102	0	216,102
Charges for services	41,054	2,100	43,154
Rent	6,839	0	6,839
Licenses, permits, fees	5,812	0	5,812
Interest	13,978	6,052	20,030
Miscellaneous	<u>6,888</u>	<u>0</u>	<u>6,888</u>
Total revenue	\$ <u>361,847</u>	\$ <u>8,152</u>	\$ <u>369,999</u>
EXPENDITURES			
General Government	\$ 148,270	\$ 0	\$ 148,270
Public Safety	50,478	0	50,478
Public Works	86,299	0	86,299
Recreation and Culture	10,192	0	10,192
Other	<u>15,370</u>	<u>0</u>	<u>15,370</u>
Total expenditures	\$ <u>310,609</u>	\$ <u>0</u>	\$ <u>310,609</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 51,238	\$ 8,152	\$ 59,390
FUND BALANCES - April 1, 2007	<u>307,223</u>	<u>112,750</u>	<u>419,973</u>
FUND BALANCES - March 31, 2008	<u>\$ 358,461</u>	<u>\$ 120,902</u>	<u>\$ 479,363</u>

Reconciliation of Statement of Revenue, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds	\$ 59,390
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add: capital outlay	6,559
Deduct: depreciation expense	(9,454)
Net gain (loss) from the joint venture fire department is not recorded in the fund financial statements, but is recorded in the government-wide financial statements	<u>(7,542)</u>
Change in net assets of governmental activities	<u>\$ 48,953</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
MARCH 31, 2008

	Business-Type Activities Sewer Fund
ASSETS	
Cash & investments	\$ 421,172
Prepaid expenses	3,307
Receivables:	
Customers	8,654
Special assessments - current	<u>2,488</u>
Total current assets	\$ <u>435,621</u>
Capital assets - net	\$ <u>1,410,022</u>
Total noncurrent assets	\$ <u>1,410,022</u>
Total assets	<u>\$ 1,845,643</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 5,608
Due to other funds	<u>610</u>
Total liabilities	\$ <u>6,218</u>
NET ASSETS	
Investment in capital assets, net of related debt	\$ 1,410,022
Unrestricted	<u>429,403</u>
Total net assets	\$ <u>1,839,425</u>
Total liabilities and net assets	<u>\$ 1,845,643</u>

The accompanying notes are an integral part of this statement.



TOWNSHIP OF JEFFERSON  
STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED MARCH 31, 2008

Business-Type  
Activities  
Sewer  
Fund

OPERATING REVENUE:	
Charges for services and penalties	\$ 112,821
Other	<u>19,813</u>
Total operating revenue	\$ <u>132,634</u>
OPERATING EXPENSES:	
Operation and maintenance	\$ 20,492
General and administrative	10,739
Salaries and fringe benefits	43,394
Depreciation	<u>66,086</u>
Total operating expenses	\$ <u>140,711</u>
OPERATING INCOME (LOSS)	\$ <u>(8,077)</u>
NON-OPERATING REVENUES (EXPENSES):	
Special assessments	\$ 14,115
Interest income	15,353
Miscellaneous	<u>3,330</u>
Total non-operating revenues (expenses) - net	\$ <u>32,798</u>
NET INCOME (LOSS)	\$ 24,721
NET ASSETS - Beginning	<u>1,814,704</u>
NET ASSETS - Ending	<u><u>\$ 1,839,425</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED MARCH 31, 2008

	Business-Type Activities Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 132,012
Payments to employees	(33,377)
Payments to vendors	<u>(37,348)</u>
Net cash provided (used) by operating activities	<u>\$ 61,287</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Connection fees and other income	\$ 17,445
Acquisition of capital assets	<u>(10,163)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ 7,282</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 15,353</u>
Net cash provided (used) by investing activities	<u>\$ 15,353</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 83,922
CASH AND CASH EQUIVALENTS - Beginning	<u>337,250</u>
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 421,172</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating income (loss)	\$ (8,077)
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	66,086
Changes in assets and liabilities:	
Prepaid expenses	44
Accounts receivable	(622)
Accounts payable and other accrued liabilities	<u>3,856</u>
Net cash provided (used) by operating activities	<u><u>\$ 61,287</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
MARCH 31, 2008

ASSETS

Cash

\$ 226  
          

LIABILITIES

Due to Township general fund

\$ 226  
          

The accompanying notes are an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS

**TOWNSHIP OF JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Jefferson is located in Hillsdale County, Michigan, and comprises a population of approximately 3,141 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Jefferson conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of significant accounting policies used by the Township of Jefferson:

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

**Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements (the statement of net assets and the statement of activities) report information about the Township as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements.

**Fund Financial Statements** - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each

TOWNSHIP OF JEFFERSON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**Measurement Focus and Basis of Accounting**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are those of the proprietary fund and fiduciary fund. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

**Financial Statement Presentation**

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Permanent Fund - accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

The Township reports the following major proprietary fund:

Sewer Fund - used to account for the results of operations for providing sewer service to the citizens and businesses of the Township. The primary revenues are generated through user charges from those requesting sewer service.

TOWNSHIP OF JEFFERSON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Assets, Liabilities, and Net Assets**

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both the government-wide and fund financial statements.

TOWNSHIP OF JEFFERSON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Sewer lines	50 years
Furnishings and equipment	5 to 15 years
Vehicles	10 years

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.



TOWNSHIP OF JEFFERSON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Board holds workshops and proposes an operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Township incurred expenditures in certain budgetary funds which were in excess of the amount appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Legal Fees	\$ 3,000	\$ 3,264	\$ 264
Street Lights	3,170	3,408	238

These differences were caused by audit adjustments.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes authorize the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2008, the Township's deposits are in accordance with statutory authority.

The Township's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

*Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township minimizes credit risk by limiting investments to the types of securities allowed by State law. The Township has no policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Township places no limit on the amount the Township may invest in any one issuer.

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk. At March 31, 2008, the carrying amount of the Township's bank deposits was \$890,533 and the bank's balance was \$891,791. Of the total bank balance, \$614,160 was covered by federal depository insurance and \$277,631 was uninsured. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township

TOWNSHIP OF JEFFERSON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

*Interest Rate Risk* - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township has no policy that specifically identifies interest rate risk.

*Foreign Currency Risk* - The Township is not authorized to invest in investments which have this type of risk.

Investments

There were no investments held during the year

**NOTE 4 - RECEIVABLES**

Receivables at March 31, 2008, consist of property taxes, special assessments, and sewer user fees, and are considered collectible in full.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the Township's governmental activities and business-type activities was as follows:

	Balance <u>April 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>March 31, 2008</u>
Primary Government:				
Capital assets not being depreciated				
Land	\$ 35,053	\$ 0	\$ 0	\$ 35,053
Capital assets being depreciated				
Buildings & Improvements	\$ 211,686	\$ 6,559	\$ 0	\$ 218,245
Furniture & Equipment	83,902	0	0	83,902
Vehicles	6,600	0	0	6,600
Total capital assets being depreciated	\$ 302,188	\$ 6,559	\$ 0	\$ 308,747
Less: accumulated depreciation:				
Buildings & Improvements	\$ (73,850)	\$ (4,712)	\$ 0	\$ (78,562)
Furniture & Equipment	(41,234)	(4,742)	0	(45,976)
Vehicles	(6,600)	0	0	(6,600)
Total accumulated depreciation	\$ (121,684)	\$ (9,454)	\$ 0	\$ (131,138)
Total capital assets being depreciated - net	\$ 180,504	\$ (2,895)	\$ 0	\$ 177,609
Total capital assets, net	\$ 215,557	\$ (2,895)	\$ 0	\$ 212,662
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 76,970	\$ 0	\$ 0	\$ 76,970
Capital assets being depreciated				
Sewer Building & Lines	\$ 2,485,008	\$ 10,164	\$ 0	\$ 2,495,172
Equipment	3,257	0	0	3,257

TOWNSHIP OF JEFFERSON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 5 - CAPITAL ASSETS (continued)**

Vehicles	25,725	0	0	25,725
Total capital assets being depreciated	\$ 2,513,990	\$ 10,164	\$ 0	\$ 2,524,154
Less: accumulated depreciation:				
Sewer Building & Lines	\$(1,096,330)	\$ (65,966)	\$ 0	\$(1,162,296)
Equipment	(2,962)	(120)	0	(3,082)
Vehicles	(25,724)	0	0	(25,724)
Total accumulated depreciation	\$(1,125,016)	\$ (66,086)	\$ 0	\$(1,191,102)
Total capital assets being depreciated - net	\$ 1,388,974	\$ (55,922)	\$ 0	\$ 1,333,052
Total capital assets, net	\$ 1,465,944	\$ (55,922)	\$ 0	\$ 1,410,022

Depreciation expense was charged to functions/programs of the Township as follows:

Unallocated	\$ 9,454
Sewer Fund	\$ 66,086

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances at March 31, 2008, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 226	Tax Collection Fund	\$ 226
General Funds	610	Sewer Fund	610
	\$ 836		\$ 836

Interfund transfers during the year consisted of the following:

Transfer from Tax Collection Fund to General Fund	\$ 59,263
---	-----------

The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund. The transfers from Tax Collection Fund to General Fund are for the General Fund's share of property taxes and administrative fees collected.

**NOTE 7 - PROPERTY TAXES**

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2007 was .796 mills for general operations on a total state taxable valuation of approximately \$73,569,000. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

**NOTE 8 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents),

TOWNSHIP OF JEFFERSON  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 8 - RISK MANAGEMENT (continued)**

workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

**NOTE 9 - UNEMPLOYMENT TAXES**

The Township is a reimbursing employer to the Michigan Unemployment Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

**NOTE 10 - JOINT VENTURE**

The Township is a participant in a joint venture agreement with the Township of Pittsford for the operation of the Townships of Pittsford and Jefferson Fire Department (the "Department"). In accordance with the provisions of Governmental Accounting Standards Board No. 14, the joint venture results from the ongoing financial responsibility of the Department's operations agreed to by the municipalities pursuant to the contractual agreement. Each Township appoints two members of the five-member Fire Board which oversees the operations (the fifth member is appointed by the Fire Board). The Townships each have a 50 percent ownership in the venture. Each Township's percentage share of the annual operating and maintenance expenses is determined by dividing the number of sections within the Township which are receiving fire department services by the total number of sections in all Townships receiving said services.

The Fire Department reported expenses in excess of revenue in the amount of \$15,084 for its year ended March 31, 2008. Jefferson Township has reported \$7,542 (50%) of the expenses over revenue in its Statement of Activities. The Township's investment in the joint venture is reported in the Statement of Net Assets in the amount of \$187,324 as of March 31, 2008. We also conducted the audit of the Fire Department's financial statements as of March 31, 2008.

**NOTE 11 - COMMITMENTS**

At a joint meeting in March 2008, the Boards of Jefferson and Pittsford Townships approved the purchase of a new fire truck by the Townships of Pittsford and Jefferson Fire Department at a cost of \$272,789. Each Township agreed to pay \$56,000 towards the cost of the truck, with the remaining \$160,789 coming from the Fire Department reserves.

## REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF JEFFERSON  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance With Amended Budget
Beginning of year fund balance	\$ 307,223	\$ 307,223	\$ 307,223	\$ 0
Resources (inflows)				
Property Taxes	57,800	57,800	58,932	1,132
Special Assessments	4,700	4,700	6,582	1,882
Administration Fees	5,650	5,650	5,660	10
State Shared Revenue	203,500	203,500	216,102	12,602
Charges for Services	41,500	41,500	41,054	(446)
Rent	3,400	3,400	6,839	3,439
Licenses, permits and Fees	4,651	4,651	5,812	1,161
Interest	4,500	4,500	13,978	9,478
Franchise Fees	7,200	7,200	0	(7,200)
Miscellaneous and Reimbursements	750	750	6,888	6,138
Transfers In	9,586	9,586	0	(9,586)
Amounts available for appropriation	<u>\$ 650,460</u>	<u>\$ 650,460</u>	<u>\$ 669,070</u>	<u>\$ 18,610</u>
Charges to appropriations (outflows)				
Supervisor - Salary	\$ 8,397	\$ 8,397	\$ 8,397	\$ 0
Assessor - Services	25,000	24,193	24,000	(193)
Expenses	1,500	2,207	2,207	0
Clerk - Salary	17,186	17,186	17,186	0
Expenses	3,000	3,000	1,526	(1,474)
Deputy Clerk	8,440	8,440	8,440	0
Treasurer - Salary	19,006	19,006	19,006	0
Expenses	8,500	8,123	6,689	(1,434)
Deputy Treasurer	2,828	2,828	2,828	0
Trustees	4,770	4,770	4,770	0
Board of Review	600	634	634	0
Printing and Publishing	500	500	225	(275)
Township Newsletter	350	350	192	(158)
Mobile Home Tax	500	500	402	(98)
Township Drains	1,000	1,300	1,300	0
Highways, Roads, and Bridges	56,060	54,024	43,712	(10,312)
Cemeteries	29,000	29,000	26,165	(2,835)
Fire Department	50,000	50,000	50,000	0
Street Lights	3,000	3,170	3,408	238
Libraries	10,000	10,000	10,000	0
Elections	1,000	1,377	1,377	0

TOWNSHIP OF JEFFERSON  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance With Amended Budget
Township Hall	\$ 9,500	\$ 11,332	\$ 10,377	\$ (955)
Audit Fees	3,000	3,100	3,100	0
Legal Fees	3,000	3,000	3,264	264
Insurance and Bonds	11,500	11,500	9,846	(1,654)
Contingency Fund	0	0	0	0
Miscellaneous	300	300	46	(254)
Dues and Subscriptions	1,600	1,600	1,521	(79)
Solid Waste-Transfer Station and Recycling	49,400	49,100	37,878	(11,222)
Payroll Tax Expense	6,000	6,000	5,479	(521)
Ordinance Enforcement	300	300	75	(225)
Capital Outlay	<u>8,000</u>	<u>8,000</u>	<u>6,559</u>	<u>(1,441)</u>
Total charges to appropriations	<u>\$ 343,237</u>	<u>\$ 343,237</u>	<u>\$ 310,609</u>	<u>\$ (32,628)</u>
End of year fund balance	<u>\$ 307,223</u>	<u>\$ 307,223</u>	<u>\$ 358,461</u>	<u>\$ 51,238</u>

## OTHER SUPPLEMENTARY INFORMATION



TOWNSHIP OF JEFFERSON  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
CURRENT TAX COLLECTION FUND  
FOR THE YEAR ENDED MARCH 31, 2008

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2008</u>
ASSETS				
Cash	\$ 1,782	\$ 1,748,791	\$ 1,750,347	\$ 226
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
LIABILITIES				
Due to Other Funds	\$ 1,782	\$ 102,298	\$ 103,854	\$ 226
Due to County	0	871,095	871,095	0
Due to Schools	<u>0</u>	<u>775,398</u>	<u>775,398</u>	<u>0</u>
	\$ 1,782	\$ 1,748,791	\$ 1,750,347	\$ 226
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The accompanying notes are an integral part of this statement.

# Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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JONESVILLE, MI 49250

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October 27, 2008

Jefferson Township  
Osseo, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Jefferson Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses..

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

#### Financial Statement Preparation

The Township does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenue and expenditures, to track changes in capital assets, and to present required financial statement disclosures. We recognize the time and expense that would be required to obtain the necessary training and expertise to perform this task internally. We recommend that you continue to carefully review the draft financial statements and notes prepared by your external auditors prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do consider the significant deficiency described above to be a material weakness.

In addition, we noted other matters involving the internal control and its operation that we did not consider to be significant deficiencies or material weaknesses.

Annual Budget

There were a few accounts which had expenditures in excess of the budget for the year. We recommend that the budget be carefully and amended to prevent over-expenditure, including instances where expenditures are incurred prior to year-end but paid for afterwards.

Investment Policy

The Township should revise its investment policy to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 40.

FDIC

In light of the recent turmoil in the financial markets, the Township may wish to review its exposure with regards to FDIC coverage. As of March 31, 2008, a total of \$277,631 was uninsured.

This communication is intended solely for the information and use of the Township Board and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

*Bailey, Hodshire + Company PC*

Jonesville, Michigan  
October 27, 2008